

May 18, 2015

Attn : The President
The Stock Exchange of Thailand

Subject : Management's Discussion and Analysis for the third quarter period ending 31 March 2015

As shown in the financial statements of the third quarter for the three-month period ended of March 31, 2015 for Siam Steel International Public Company Limited, it indicated the changed performance over 20% compared with the same quarter of last year.

We would like to report on Management's Discussion and Analysis for the third quarter period ending March 31, 2015 as follows :

1. Operating Results

Statements of Comprehensive Income for the three-month period ended 31 March 2015 and 2014

Consolidated F/S	The third quarter 2014/2015		The third quarter 2013/2014		Change Increase/(Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Domestic sales and services - net	379	91%	434	81%	(55)	(13%)
Export sales and services - net	36	9%	100	19%	(64)	(64%)
Total Revenues	415	100%	534	100%	(119)	(22%)
Domestic costs of sales and services	287		349		(62)	(18%)
Export costs of sales and services	35		86		(51)	(59%)
Total Costs of sales and services	322	78%	435	81%	(113)	(26%)
Domestic gross income	92		85		7	8%
Export gross income	1		14		(13)	(93%)
Total Gross income	93	22%	99	19%	(6)	(6%)
Other income	(3)	(1%)	16	3%	(19)	(119%)
Selling and administrative expenses	(113)	(27%)	(123)	(23%)	10	(8%)
Income (loss) from operations	(23)	(6%)	(8)	(1%)	(15)	188%
Equity in net income of associated companies	14	3%	24	4%	(10)	(42%)
Financial costs	0	0%	(1)	0%	1	(100%)
Income before income tax	(9)	(2%)	15	3%	(24)	(160%)
Income tax	(3)	(1%)	(7)	(1%)	4	(57%)
Non - controlling interests in subsidiaries	(4)	(1%)	(6)	(1%)	2	(33%)
Net profit (loss) of the Company's shareholders	(16)	(4%)	2	0.37%	(18)	(900%)
Net profit of the Company's per share (Baht)	(0.03)		0.003		(0.03)	(900%)

1.1 Analysis of Operating Results

As the third quarter 2014/2015, the consolidated financial statements of the Company's total revenues amounted to Baht 415 million, decreased by Baht 119 million or 22 percent from the third quarter 2013/2014. This was mainly due to the decrease of sales of furniture from sales agents of the Company, the decrease of sales from one subsidiary and the decrease of export sales of special project. However, the Company has action plans of human resources development in marketing and production, as well as development of new products to response to customer's needs and to increase sales volume, thus, revenues should be increased.

Total Revenues

The consolidated financial statements of the Company's total revenues in the third quarter of this year was Baht 415 million, decreased by Baht 119 million or 22 percent from the third quarter of last year. This was mainly resulted from the decrease of sales of furniture from sales agents of the Company, the decrease of sales from one subsidiary and the decrease of export sales of special project and services of "Lucky" Hi-tech Building System, while the total revenues in the third quarter of this year are as the following ;

- Domestic sales and services of furniture and "Lucky" Hi-tech Building System amounted to Baht 372 million, decreased by Baht 62 million or 14 percent from last year. This was due to the decrease of sales of furniture from sales agents of the Company, and the decrease of sales from one subsidiary.

- Domestic sales and services of 1 construction service was revenue recognition since the first quarter of this year. As the third quarter of this year was revenue recognition Baht 7 million, increased from last year that there was no revenue.

- Export sales and services of furniture and "Lucky" Hi-tech Building System amounted to Baht 36 million, decreased by Baht 64 million or 64 percent from the third quarter of last year. This was due to the decrease of export sales and services of "Lucky" Hi-tech Building System of special project.

Other Income

The consolidated financial statements of the Company's other income in the third quarter 2014/2015 was decreased by Baht 19 million, or 119 percent decreased. Most were decreased this year, resulted from loss of the foreign exchange rate by Baht 11 million. Most of them were resulted from the adjustment of account receivable of Australia as at ended of this quarter according to the exchange rate of Bank of Thailand. While last year, there was getting profit in foreign exchange rate by Baht 7 million.

Cost and Expenses

- The consolidated financial statements of the Company's total cost in the third quarter 2014/2015 was Baht 322 million, decreased by Baht 113 million or 26 percent from the third quarter 2013/2014. This was decreased in total revenues. In the third quarter 2013/2014, there was fixed cost amount from "Lucky" Hi-tech Building System of special project in small quantity which is not worth to the cost. In the third quarter 2014/2015, there was no such cost, therefore the total cost of sales decreased. For total cost rate of total revenues in the third quarter 2014/2015 and the third quarter 2013/2014 were 78 percent and 81 percent respectively.

- The consolidated financial statements of the Company's selling and administrative expenses in the third quarter 2014/2015 was Baht 113 million, decreased by Baht 10 million or 8 percent from the third quarter of last year. This was resulted from a decrease in total revenue. The selling and administrative expenses rate of total revenues in the third quarter 2014/2015 and 2013/2014 were 27 percent and 23 percent respectively. The ratio of selling and administrative expenses was not reduced, resulted from the fixed cost of selling and administrative expenses, while total revenue decreased.

- The consolidated financial statements of the Company's corporate income tax in the third quarter 2014/2015 were included current tax expenses under the Revenue Code amounted to Baht 2 million and deferred tax expenses amounted to Baht 1 million, net deferred tax was recognized in expenses amounted to Baht 3 million. For the third quarter 2014/2015, corporate income tax included current tax expenses under the Revenue Code amounted to Baht 3 million and deferred tax expenses amounted to Baht 4 million, net deferred income tax was recognized in expenses amounted to Baht 7 million,

Gross Profit

The consolidated financial statements of the Company's gross profit in the third quarter 2014/2015 was Baht 93 million, decreased by Baht 6 million or 6 percent from the third quarter 2013/2014. The gross profit ratio in the third quarter 2014/2015 and 2013/2014 represented 22 and 19 respectively, due to the increase of gross profit ratio resulted from the third quarter 2014/2015, there was no production cost of "Lucky" Hi-tech Building System from the special project. In the third quarter 2013/2014, there was fixed cost of "Lucky" Hi-tech Building System from the special project in small quantity which was not worth to the cost.

Net Profit (Loss)

The consolidated financial statements of the Company's net loss in the third quarter 2014/2015 was Baht 16 million and the third quarter 2013/2014 was Baht 2 million, decreased by Baht 18 million or 900 percent from the third quarter 2013/2014 resulting from the decrease in equity in net income of associated companies was Baht 10 million, and other income decreased due to getting loss in foreign exchange rate by Baht 11 million. Mostly, caused by the adjustable of trade account receivable of Australia as at ended of this quarter in the exchange rate of Bank of Thailand. While there was profit from the currency exchange rate by Baht 7 million. For the third quarter 2014/2015, net loss ratio was 4 percent and the third quarter 2013/2014, net profit was 0.37 percent.

2. Financial Positions

Statements of Financial positions as at 31 March 2015 and 30 June 2014

Consolidated F/S	31 March 2015		30 June 2014		Increase / (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Assets						
Cash and cash equivalents	261	9%	333	11%	(72)	(22%)
Trade accounts receivable - net	419	15%	450	15%	(31)	(7%)
Inventories - net	384	14%	390	13%	(6)	(2%)
Other current assets	27	1%	22	2%	5	23%
Total Current Assets	1,091	39%	1,195	41%	(104)	(9%)
Investments	773	28%	725	25%	48	7%
Property, plant and equipment - net	719	26%	750	26%	(31)	(4%)
Other non - current assets	224	8%	241	8%	(17)	(7%)
Total Non - Current Asset	1,716	61%	1,716	59%	0	0%
Total Assets	2,807	100%	2,911	100%	(104)	(4%)
Liabilities and Shareholders' Equity						
Short – term loans from financial institution	-	-	53	2%	(53)	(100%)
Trade accounts payable	165	6%	184	6%	(19)	(10%)
Other current liabilities	118	4%	120	4%	(2)	(2%)
Total Current Liabilities	283	10%	357	12%	(74)	(21%)
Employee benefits obligation	23	1%	22	1%	1	5%
Other non - current liabilities	2	0%	2	0%	0	0%
Total Non – Current Liabilities	25	1%	24	1%	1	4%
Total Liabilities	308	11%	381	13%	(73)	(19%)
Shareholders' equity to the Company's	2,306	82%	2,337	80%	(31)	(1%)
Shareholders' equity non-controlling interests' equity	193	7%	193	7%	0	0%
Total Shareholders' equity	2,499	89%	2,530	87%	(31)	(1%)
Total Liabilities and Shareholders' Equity	2,807	100%	2,911	100%	(104)	(4%)

2.1 Analysis of the Financial Position of the Company, subsidiaries and its joint ventures as at 31 March 2015 and 30 June 2014

Total Assets

As at March 31, 2015, the consolidated financial statements of the Company had total assets of Baht 2,807 million which decreased by Baht 104 million or 4 percent from June 30, 2014. This was mainly due to the decrease in cash and trade accounts receivable.

As at March 31, 2015 and June 30, 2014 the total assets of the consolidated financial statement of the Company were comprised of the following items;

- Cash and cash equivalents were 9 percent and 11 percent respectively.
- Trade accounts receivable were 15 percent and 15 percent respectively.
- Inventories were 14 percent and 13 percent respectively.
- Other current assets were 1 percent and 2 percent respectively.
- Investment in the associated companies and other companies were 27 percent and 25 percent respectively.
- Property, plant and equipment were 26 percent and 26 percent respectively.
- Other non-current assets were 8 percent and 8 percent respectively.

- Cash and cash equivalents as at March 31, 2015 was Baht 261 million, decreased by Baht 72 million from June 30, 2014. This was due to net cash provided for operating activities, and short term loan payment to financial institute.

- Trade accounts receivable as at March 31, 2015 was Baht 419 million which were current trade accounts receivable 51 percent, over due trade accounts receivable less than or equivalent 3 months at 25 percent, and trade accounts receivable over 3 months at 24 percent. However, trade accounts receivable by the Company, subsidiaries and its joint ventures have been followed closely the collections. Some debtors that have been in the process of debt collection, would be considered the allowance for doubtful accounts. Thus, as at March 31, 2015 the allowance for doubtful accounts was Baht 45 million from one of Australia's trade account receivables, "LUCKY" Hitech Building System from special project was Baht 44 million, and others Baht 1 million. The Company, subsidiaries and its joint ventures considered that it was sufficient. For the receivable turnover times as at 31 March, 2014 were 4.00 and 3.73 from last year, and account receivable days were 91, while 98 from last year. The account receivable days were 91 and 98 from last year. The account receivable days was increased, trade accounts receivable was decreased due to as at March 31, 2015, the balance of trade accounts receivable decreased.

- Inventories as at March 31, 2015 were Baht 384 million, decreased by Baht 6 million from last year. The inventory turnover rate was 3.56 as at March 31, 2015 and 4.10 decreased from last year due to the end of March 31, 2015, cost of sales was decreased as the revenue decreased.

- Investments as at March 31, 2015 were Baht 773 million, increased by Baht 48 million or 7 percent. This was due to the decrease in equity in net income of one associated company, and allowance for diminution in value of investment, resulted value of investments increased.

- Property, plant and equipment - net as at the end of third quarter 2014/2015 was Baht 719 million, decreased by Baht 31 million or 4 percent. This was due to the depreciation of plant and equipment for the period.

Total liabilities

As at the end of third quarter 2014/2015, the consolidated financial statements of the Company had total liabilities of Baht 308 million, decreased by Baht 73 million or 19 percent from the payment of short-term loan and trust receipt by Baht 53 million, Trade account payable by Baht 19 million, and current liabilities payable by Baht 2 million.

Shareholders' equity

As at end of third quarter 2014/2015, the consolidated financial statements of the Company had the shareholders' equity of Baht 2,499 million, while as at June 30, 2014 was Baht 2,530 million, decreased by Baht 31 million or 1 percent. This was resulted from the first quarter, the second quarter, and the third quarter or this year, the consolidated financial statements of the Company had net loss amounted Baht 31 million

Book value as at the end of third quarter 2014/2015 was Baht 4.21 per share, while as at June 30, 2014 was Baht 4.27 per share, decreased by baht 0.05 per share or 1 percent from the previous year.

2.2 Liquidity and key financial ratios

Statements of Cash flows for the three-month period ended 31 March 2015

Consolidated F/S	Unit : Million Baht
Net cash from operating activities	(7)
Net cash used in investing activities	(2)
Net cash used in financing activities	(63)
Decrease in cash and cash equivalents - net	(72)
Cash and cash equivalents at beginning of period	333
Cash and cash equivalents at end of period	261

Liquidity of the consolidated financial statement of the Company as at March 31, 2014 had balance cash and cash equivalents at the end of period was Baht 261 million while as at June 30, 2014 of Baht 333 million, cash flow decreased by Baht 72 million, this was mainly due to :-

- Cash flows from operating activities decreased by Baht 7 million, from trade accounts payable.
- Cash flows from investing activities decreased by Baht 2 million, most used in building and equipment.
- Cash flows from financing activities decreased by Baht 63 million, decreased in short-term loans of bill of exchange and trust receipt by Baht 53 million, and decreased from dividend paid to non-controlling interest by subsidiary by Baht 10 million.

For the current ratio as at June 30, 2014 and March 31, 2015 were 3.35 and 3.86 respectively, the quick ratio as at June 30, 2014 and March 31, 2015 were 2.19 and 2.40 respectively. It was showing that the Company, subsidiaries and its joint ventures had good liquidity assets.

The Company, subsidiaries and its joint ventures had good capacity to pay liabilities. The debt ratios as at June 30, 2014 and March 31, 2015 were 0.15 and 0.12 respectively.

3. Main factors that may affect future operations and finance positions

The stability of local political

If local political is instable, it may lessen the government's spending to stimulate the economy. As a result, the industrial growth will be fallen and the order is also reduced.

Foreign market

If world economy has not been recovered, foreign market will have contraction. As a result, the industrial growth will be fallen and the order is also reduced.

Raw Material Pricing

Steel is the main raw material for production. If prices of steel are fluctuated, this may affect the orders and production costs.

Foreign Exchange Rate

If the Baht is appreciating against the USD dollar continuously, this may affect the Company's sales getting less. Also, the Company may lose their competitiveness compared to its competitors and may get loss from the exchange rate.

Please be informed accordingly.

Yours sincerely,

(Mr. Surasak Kunanantakul)

Vice President

Siam Steel International Public Company Limited